

Service Date: June 5, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF THE APPLICATION OF)	
THE MONTANA POWER COMPANY FOR)	
AUTHORIZATION TO ASSUME LIABILITY TO)	Docket 83.3.20
PAY AMOUNTS SUFFICIENT FOR THE PAYMENT)	
OF NOT TO EXCEED \$15,000,000 OF)	Order No. 4973b
POLLUTION CONTROL REVENUE BONDS TO)	
BE ISSUED BY THE CITY OF FORSYTH,)	
MONTANA.)	
_____)	

ORDER

Pursuant to an Application filed on March 29, 1983, and supplemented on February 21, 1984, by The Montana Power Company ("Applicant"), the Public Service Commission of Montana ("Commission") issued its Order Nos. 4973 and 4973a approving the Application, as supplemented, and authorizing Applicant, subject to further Commission approval, to consummate the transactions proposed therein.

By a Second Supplemental Application, dated May 7, 1984, Applicant (i) supplied additional information with respect to the transactions proposed by Applicant, (ii) pursuant to §69-3-501 through §69-3-507 of the Montana Code Annotated, requested additional authorizations, and (iii) furnished the forms of certain documents to be used in connection with the proposed transactions.

DOCKET NO. 83.3.20, ORDER NO. 4973b

Applicant intends to file a further Supplemental Application supplying the final terms of the issuance and sale of the Bonds and furnishing the final forms of certain documents to be used in connection therewith as soon as they are available.

The Application, as supplemented, states that Applicant is a public utility, as defined in MCA §69-3-101, in that it furnishes electric and natural gas service in the State of Montana; that Applicant's principal executive office is at 40 East Broadway, Butte, Montana; and that Applicant is duly qualified to do business in the States of Montana, Wyoming and Idaho. Detailed information with respect to the general character of Applicant's business and the territory served by it is set forth in the Application, as supplemented, on file in this Docket.

The Application, as supplemented, states that:

(1) The City proposes to issue and sell to underwriters not to exceed \$15,000,000 principal amount of its adjustable rate pollution control revenue bonds ("Bonds").

The Bonds will be issued pursuant to an Indenture of Trust ("Indenture"), from the City to Chemical Bank, as trustee ("Trustee"). The Indenture provides that (i) the terms of the Bonds shall be divided into successive interest rate periods; (ii) after the initial rate periods, which shall be established in the Indenture, the length of each

DOCKET NO. 83.3.20, ORDER NO. 4973b

rate period, which may be a period of one, two, three or six months, one, three, five or ten years, or the remainder of the term of the Bonds, shall be established by Applicant, but if Applicant shall not do so, shall be of the same length as the immediately preceding rate period; (iii) the rate of interest to be borne by the Bonds during each rate period shall be established at the commencement of such rate period and shall be the lesser of 15% per annum and a rate established by the Remarketing Agent appointed under the Indenture, in its judgment having due regard for prevailing financial market conditions, to be that rate which, if borne by the Bonds during such rate period, would result in the market value of the Bonds on the first day of such rate period being 100% of the principal amount thereof; provided, however, that the rate so established by the Remarketing Agent shall be not more than 120% nor less than 80% of the Rate Index, as defined in the Indenture, for such rate period established by the Indexing Agent appointed under the Indenture, which Rate Index shall be based upon current yields for comparable securities, and not more than the Maximum Interest Rate, established by the Remarketing Agent as provided in the Indenture, nor less than the Minimum Interest Rate so established; (iv) the owners of the Bonds may tender their Bonds for purchase at various times during the various rate periods, including the first day of each rate period; (v) Bonds

DOCKET NO. 83.3.20, ORDER NO. 4973b

tendered for purchase will be remarketed by the Remarketing Agent unless funds shall have been provided for their retirement; (vi) the Bonds will be redeemed at the commencement of each rate period which differs significantly from the immediately preceding rate period, except Bonds purchased by Applicant in lieu of redemption and Bonds which certain owners shall elect not to have redeemed; and (vii) likewise, the Bonds will be redeemed at the expiration of a letter of credit hereinafter described securing the Bonds, unless a comparable letter of credit or other Security Arrangement, as defined in the Indenture, shall be substituted therefor, except Bonds purchased by Applicant in lieu of redemption and Bonds which certain owners shall elect not to have redeemed. These provisions will permit Applicant to select, from time-to-time during the 30-year term of the Bonds, rate periods of varying durations, thereby permitting Applicant to take advantage of the most favorable interest rates available.

In order to enhance the creditworthiness of the Bonds, Applicant will enter into agreements (“LOC Agreements”) with Morgan Guaranty Trust Company of New York (“LOC Bank”), pursuant to which the LOC Bank will issue its ten-year letter of credit to the Trustee to secure the payment of the principal of, and premium, if any, and interest on, the Bonds and the purchase price of the Bonds upon their tender for purchase and purchase Bonds tendered or purchased by the Company in

DOCKET NO. 83.3.20, ORDER NO. 4973b

lieu of redemption and not otherwise remarketed. Applicant will pay a letter of credit fee of 5/8% per annum for the first five years and 3/4% per annum for the second five years and will be obligated to repay, with interest, any amounts drawn under the letter of credit. The Indenture provides that this letter of credit may be extended or another Security Arrangement substituted therefor.

The proceeds from the sale of the Bonds, net of underwriters' compensation, will be loaned to Applicant pursuant to a Loan Agreement between the City and Applicant. Applicant will use these borrowings to finance a part of its cost of certain pollution control facilities constructed and being constructed at the Colstrip Unit Nos. 3 and 4.

Pursuant to the Loan Agreement, Applicant will be required to pay to the City amounts sufficient to pay, when due, the principal of, and premium, if any, and interest on, the Bonds. The City's right to these payments will be assigned to the Trustee for the benefit of the owners of the Bonds. Applicant also will be obligated to provide funds for the purchase of Bonds tendered for purchase and not remarketed or remarketed at a discount.

The terms and price of the Bonds will be determined through negotiations with underwriters. The underwriters will purchase the Bonds pursuant to a Bond Purchase Agreement with the City. Applicant will indemnify, and undertake to

DOCKET NO. 83.3.20, ORDER NO. 4973b

pay certain expenses of, the City and the underwriters pursuant to an Inducement Letter from the Applicant to the City and the underwriters.

(2) Further information regarding the proposed transactions is contained in the Application, as supplemented, and exhibits on file in this Docket.

(3) Expenses in connection with the proposed transactions are to be paid from the proceeds of the Bonds.

(4) Other than approval of this Commission, no regulatory authorization is required for Applicant to carry out the proposed transactions.

(5) The consummation by Applicant of the proposed transactions will be proper and lawful under provisions of Montana law.

Having fully considered the Application, as supplemented, and all the data and records pertaining thereto on file with the Commission and being fully advised in the premises, the Commission makes the following:

FINDINGS OF FACT

(1) Applicant, The Montana Power Company, is a corporation organized and existing under and by virtue of the laws of the State of Montana and is qualified to transact business in the State of Montana.

DOCKET NO. 83.3.20, ORDER NO. 4973b

(2) Applicant is operating as a public utility, as defined in MCA §69-3-101, and, as such, is engaged in furnishing electric and natural gas utility service in the State of Montana.

(3) The Commission has jurisdiction over the subject matter of the Application, as supplemented, under MCA §69-3-501 through §69-3-507, inclusive.

(4) Pursuant to MCA §69-3-504, notice of the filing of the Application, as supplemented, has been given by inclusion of the Application, as supplemented, in the Commission's agenda for May 21, 1984.

(5) Opportunity to be heard with respect to the Application, as supplemented, has been duly afforded; due consideration has been given to the matters presented and filed in connection therewith; and the Application, as supplemented, should be approved as hereinafter ordered.

(6) The transactions proposed by Applicant, as hereinafter authorized, will be lawful purposes, and are consistent with the public interest; such transactions will be appropriate for and consistent with the proper performance by Applicant of service as a public utility in the State of Montana and will not impair its ability to perform that service; the proposed transactions are reasonably necessary and appropriate for such purposes; and upon the consummation of the proposed transactions, the aggregate amount of securities to be outstanding and to be guaranteed by Applicant will not exceed the fair value of its properties and business.

CONCLUSION OF LAW

The Application, as supplemented, herein complies with MCA §69-3-501 through §69-3-507 and other laws of Montana, as aforesaid, and the same should be granted as hereinafter ordered.

ORDER

NOW, THEREFORE, at a session of the Public Service Commission of the State of Montana, held in its office at 1227 11th Avenue, Helena, Montana, on June 4 , 1984, there regularly came before the Commission for final action the matters and things in this Docket. The Commission being fully advised in the premises makes and enters the following Orders:

IT IS ORDERED that, contingent upon the Commission receiving and approving the final forms of the documents relating to this transaction and the final terms of the issuance and sale of the Bonds, the Application, as supplemented, of Applicant, The Montana Power Company, in this Docket is hereby approved; and that Applicant is hereby authorized, prior to December 31, 1984, to borrow not to exceed \$15,000,000 from the City of Forsyth, Montana, to assume liability to pay amounts sufficient for the payment of not to exceed \$15,000,000 of the Bonds to be issued by the City, including liabilities under the LOC Agreement and any

DOCKET NO. 83.3.20, ORDER NO. 4973b

other Security Arrangements, such transaction to be consummated on the terms and subject to the conditions set forth in the Application, as supplemented, and the documents filed as exhibits thereto.

IT IS FURTHER ORDERED that the Commission shall retain jurisdiction in this matter to issue a final Order upon receipt of the final forms of certain documents to be used in connection with the proposed transactions, and the final terms of the issuance and sale of the Bonds.

IT IS FURTHER ORDERED, that, to the extent that Order No. 4973 in this Docket is inconsistent with this Order, Order No. 4973 hereby is superseded and revoked.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, valuations, estimates or determinations of cost, or any other matter subject to its jurisdiction as provided by law.

IT IS FURTHER ORDERED that nothing in this Order or any act or deed done and performed in connection herewith shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized by this Order or authorized, issued, assumed, or guaranteed under the provisions of MCA §69-3-501 through §69-3-507, inclusive.

DONE IN OPEN SESSION at Helena, Montana, this 4th day of June , 1984, by a 4 - 0 vote.

DOCKET NO. 83.3.20, ORDER NO. 4973b

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

JOHN DRISCOLL, Commissioner

HOWARD ELLIS, Commissioner

CLYDE JARVIS, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 28.2.4806, ARM.